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Thomas J. Sadowski
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MEMORANDUM

TO: Agency Payroll Officers
FROM: OA/Division of Accounting
DATE: February 19, 2008
RE: Reporting State Vehicle Use

While the personal use of a State vehicle is prohibited, the IRS has defined commuting in a State vehicle as a taxable event. Therefore, the purpose of this memorandum is to remind and update state agencies concerning IRS regulations that require employers to withhold certain payroll taxes and to include automobile commuting use values in employee gross W-2 income.

For 2008, the standard mileage deduction rate set by the IRS for business travel in an automobile increases to 50.5 cents per mile for all miles driven (the rate was 48.5 cents per mile in 2007). All employees must use the Cents-Per-Mile method using the 50.5 cents per mile rate for 2008.

Following are some points, which should be remembered in determining the reportable commute value.

1. Commuting mileage in a state vehicle as determined by the distance from your home to your principle place of business, is commuting and is taxable.

Examples of non-commuting and non-taxable situations:

- A trip from Home to a Temporary Work Location
- A trip from a Temporary Work Location to Home
- A trip from a Temporary Work Location to your principle place of business

For additional information see Attachment A. from IRS Publication 463 *Travel, Entertainment, Gift, and Car Expenses*.

2. Certain "qualified nonpersonal use vehicles" have been exempted by the IRS from reporting and taxation requirements. They are:
 - Clearly marked police and fire vehicles
 - Unmarked law enforcement vehicles when used for authorized purposes by a full time law enforcement officer

- Delivery trucks with seating for only the driver
- Flatbed, dump, and garbage trucks School and passenger busses with over a 20-person capacity
- Ambulances
- Specialized utility repair trucks (except vans and pickup trucks)

NOTE: Pickup trucks and vans are generally taxable, unless specially modified with permanent shelving, storage racks, and painted insignia so that personal use is unlikely.

3. Federal regulations allow vehicle personal use values for November and December to be deferred to January of the following year.
4. Under provisions allowed by IRS regulations, the State has elected to not withhold federal income taxes from taxable commute values. If normal withholding will not be sufficient because of the addition of automobile commute values to taxable income, employees should complete new W-4 forms to increase normal withholding taxes. State income tax will also not be withheld on reported commute values. However social security, Medicare and local earnings taxes are withheld.
5. Commute values reported will be included in income reported on employee W-2 forms.

The instructions on how to report auto commuting use values are found in SAM II HR Policies and Procedures, Imputed Wages, Automobile Commute. If you have any questions, contact the Division of Accounting, Payroll Unit by calling (573) 751-3141.

Attachment

Figure B. When Are Transportation Expenses Deductible?

Most employees and self-employed persons can use this chart.

(Do not use this chart if your home is your principal place of business.

See *Office in the home*.)

